

Message Text

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ORIGIN OPIC-06

INFO OCT-01 AF-08 ARA-10 EUR-12 EA-09 NEA-10 ISO-00 EB-08
SIG-02 MMO-04 FEA-01 ERDA-07 AID-05 CEA-01 CIAE-00
CIEP-02 COME-00 DODE-00 FPC-01 H-02 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 OES-06 SP-02
SS-15 STR-04 TRSE-00 ACDA-10 PA-02 PRS-01 /169 R

DRAFTED BY OPIC/ID/MEA:CHMIDDLETON:JMB

APPROVED BY EB/IFD/OIA:RJSMTIH

OPIC/ID/VP:HAZOLA

EB/ORF/FSE:LRRAICHT(INFO)

EA/EP:AGEBER(INFO)

NEA/RA:ROPRICKETT(INFO)

OPIC/GC:CCOLE

OPIC/PA:RJORDAN

OPIC/ID/NEA:FMJOHNSTON

OPIC/ID/DVP:AMKRAMISH

OPIC/D:JGURR

EB/IFD/OIA:DHSTEBBING

ARA/ECP:SHROGERS(INFO)

AF/EPS:RBDUNCAN(INFO)

EUR/RPE:ACALBRECHT(INFO)

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R 162038Z FEB 77

FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

ALL AFRICAN DIPLOMATIC POSTS

AMEMBASSY AMMAN

AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BANGKOK

AMEMBASSY BELGRADE

AMCONSUL BELIZE

AMEMBASSY BUCHAREST

AMEMBASSY CAIRO

AMEMBASSY COLOMBO

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AMCONSUL CURACAO

AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KABUL

AMEMBASSY KATHMANDU

AMEMBASSY KUALA LUMPUR

AMEMBASSY MANILA

AMCONSUL MARTINIQUE
AMEMBASSY NEW DELHI
AMEMBASSY NICOSIA
AMEMBASSY RABAT
AMEMBASSY SANA
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY TEL AVIV
AMEMBASSY TUNIS
AMEMBASSY VALLETTA
AMEMBASSY WELLINGTON
WESTERN SAMOA
INFO AMEMBASSY TEHRAN
AMEMBASSY CARACAS
AMEMBASSY JAKARTA
AMEMBASSY JIDDA
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LIMA
AMEMBASSY MANAMA
AMEMBASSY MOGADISCIO
AMEMBASSY QUITO
XMT AMEMBASSY MONTEVIDEO
AMEMBASSY MEXICO
AMEMBASSY BISSAU
AMEMBASSY MAPUTO
AMEMBASSY VICTORIA
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FROM OPIC; BRIDGETOWN PASS WEST INDIAN STATES

E.O. 11652:N/A

TAGS:EINV

SUBJECT: OPIC INSURANCE OF OIL EXPLORATION

1. THE FOLLOWING PRESS RELEASE WAS ISSUED BY OPIC ON
FEBRUARY 8, 1977: QUOTE THE OVERSEAS PRIVATE INVESTMENT
CORPORATION HAS ISSUED ITS FIRST POLITICAL RISK INSURANCE
CONTRACT TO COVER OIL EXPLORATION, DEVELOPMENT AND PRO-
DUCTION, ACCORDING TO MARSHALL T. MAYS, PRESIDENT OF THE
U.S. GOVERNMENT AGENCY WHICH PROVIDES INSURANCE AND FINANCE
SERVICES TO ENCOURAGE PRIVATE INVESTMENT IN THE DEVELOPING
NATIONS.

--- THE CONTRACT WAS ISSUED IN JANUARY TO THE FILON EXPLORATION CORPORATION, INC., OF DENVER, COLORADO, AND WAS EXECUTED BY FILON'S EXECUTIVE VICE PRESIDENT, DON K. HENDERSON, AND MR. MAYS. THE INSURANCE CONTRACT COVERS UP TO 20 MILLION DOLLARS OF FILON'S INVESTMENT FOR EXPLORATION AND DEVELOPMENT UNDER A PRODUCTION-SHARING CONTRACT WITH THE NATIONAL RESOURCES AUTHORITY OF THE HASHEMITE KINGDOM OF JORDAN.

--- THE NEW OPIC OIL PROGRAM IS DESIGNED TO FACILITATE ECONOMIC DEVELOPMENT IN LESS DEVELOPED NATIONS BY REDUCING THEIR DEPENDENCE ON IMPORTED OIL, MR. MAYS SAID. ALSO, THE OPENING OF NEW SOURCES OF SUPPLY IS EXPECTED TO BENEFIT

THE U.S. ECONOMY SINCE 43 PERCENT OF THE TOTAL OIL CONSUMED DOMESTICALLY IS IMPORTED.

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--- OPIC'S FORMER OIL PROGRAM PROVIDED INSURANCE FOR INVESTMENTS IN PROCESSING FACILITIES SUCH AS REFINERIES, BUT IT PROVIDED COVERAGE ONLY OF TANGIBLE AND MOVABLE ASSETS OWNED BY THE INSURED DURING THE EXPLORATION AND PRODUCTION PHASES. THE NEW POLICY ALSO PERMITS INSURANCE OF INTANGIBLE COSTS PLUS TANGIBLE COSTS INCURRED IN CONSTRUCTING FACILITIES TO BE OWNED BY THE HOST GOVERNMENT UNDER A PRODUCTION-SHARING CONTRACT.

--- THE NEW OPIC CONTRACT INSURING FILON HAS BEEN DESIGNED TO FIT THE REQUIREMENTS OF AN OIL EXPLORATION COMPANY UNDER A PRODUCTION-SHARING CONTRACT. COVERAGE AGAINST THE RISKS OF WAR, EXPROPRIATION AND CURRENCY INCONVERTIBILITY IS PROVIDED WITH RESPECT TO TANGIBLE ASSETS, INTANGIBLE COSTS, AND LETTERS OF CREDIT. TANGIBLE ASSETS INCLUDE THOSE OWNED BY THE INSURED OR AS TO WHICH THE INSURED BEARS THE RISK OF LOSS.

--- THE OIL INSURANCE CONTRACT FOR PRODUCTION-SHARING AGREEMENTS PROVIDES COVERAGE ONLY TO THE EXTENT OF THE CONTRACTOR'S NET UNRECOVERED COSTS IN A PROJECT. AFTER DISCOVERY OF OIL IN COMMERCIAL QUANTITIES, ALL INTANGIBLE EXPLORATION COSTS ARE COVERED UP TO THE VALUE OF THE CONTRACTOR'S INTEREST IN PROVEN RESERVES. PRIOR TO COMMERCIAL DISCOVERY, INTANGIBLE COSTS RELATED TO DRY HOLES ARE NOT COVERED. UNDER THE TERMS OF THE FILON CONTRACT, OPIC'S LIABILITY DECLINES AS THE VALUE OF "COST OIL" RECEIVED FROM THE PROJECT REDUCES TOTAL UNRECOVERED PROJECT COSTS. "PROFIT OIL" RECEIVED FROM THE PROJECT IS GENERALLY NOT OFFSET AGAINST TOTAL COSTS FOR THE PURPOSE

OF DETERMINING THE AMOUNT OF OPIC'S LIABILITY.

--- MR. MAYS SAID THAT FOR THE PRESENT, APPLICATIONS FOR OIL EXPLORATION, DEVELOPMENT AND PRODUCTION WILL BE REVIEWED BY THE OPIC BOARD OF DIRECTORS ON A CASE-BY-CASE UNCLASSIFIED

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BASIS, AND THAT EVENTUALLY, THE AGENCY WILL ESTABLISH GENERAL POLICY GUIDELINES. OPIC MANAGEMENT ALSO IS CONSIDERING INSURANCE COVERAGE FOR NON-PRODUCTION SHARING FORMS OF EXPLORATION DEVELOPMENT AND PRODUCTION, AND FOR BANK LOANS TO PRODUCTION PROJECTS. END QUOTE.

2. REQUEST ACTION ADDRESSEES INFORM U.S. OIL COMPANIES ACTIVE IN RESPECTIVE COUNTRIES OF POSSIBLE AVAILABILITY OF OPIC INSURANCE FOR OIL AND GAS EXPLORATION, DEVELOPMENT AND PRODUCTION. SINCE OPIC HAS ADOPTED A CASE-BY-CASE APPROACH, OPIC DOES NOT YET HAVE POLICY GUIDELINES AS TO POSSIBLE LIMITATIONS ON WHAT PROJECTS IT WILL INSURE.
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Message Attributes

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Copy: SINGLE
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Disposition Approved on Date:
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Disposition Event:
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Disposition Remarks:
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Review Withdrawn Fields: n/a
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Secure: OPEN
Status: NATIVE
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TAGS: EINV, OPIC
To: ALL POSTS AF POSTS MULTIPLE
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